

Message Text

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ORIGIN EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03

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EA:AGEBER (DRFT)

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FM SECSTATE WASHDC

TO AMCONSUL HONG KONG

INFO USLO PEKING

AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

S E C R E T STATE 182462

NOFORN

E.O. 11652: GDS

TAGS: EFIN, CH

SUBJECT: PRC SHORT-TERM BORROWING IN EUROPE

REF: HONG KONG 8158

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1. DEPARTMENT HAS CONTACTED OTHER INTERESTED WASHINGTON AGENCIES BUT HAS BEEN UNABLE TO OBTAIN CONFIRMING INFORMATION TO REPORTS OF PRC SHORT-TERM EUROPEAN BORROWING ACTIVITIES OR LEVEL OF PEKING'S FOREIGN CURRENCY DEPOSITS. SIMILARLY, SEVERAL AMERICAN BANKERS WITH EUROPEAN CONNECTIONS HAVE BEEN CONTACTED (WITHOUT, OF COURSE, MAKING ANY REFERENCE TO SOURCE OF OUR INFORMATION) BUT MOST HAVE HAD LITTLE SUBSTANTIVE TO ADD. ONE DIFFICULTY IN TRACING FLOWS OF FUNDS TO PRC IS THAT MAGNITUDES INVOLVED ARE RELATIVELY SMALL IN RELATION TO TOTAL EUROMARKET TRANSACTIONS. FOR EXAMPLE, INTERNATIONAL FINANCE CORP. (IFC) IN RECENTLY RELEASED ANNUAL REPORT ESTIMATED THAT EUROMARKET FLOWS TO LDC'S MAY HAVE BEEN AS HIGH AS DOLS. 8 BILLION IN 1972.

2. ONE BANKER, WHOSE BANK HAS GOOD CONNECTIONS WITH EUROPEAN MONEY MARKETS AS WELL AS PERSONAL CONTACTS WITH BANK OF CHINA-LONDON BRANCH, WAS UNABLE TO CONFIRM REFTEL REPORT AND COMMENTED THAT IF PEKING'S DIRECT BORROWINGS FOR ITS OWN ACCOUNT WERE SUBSTANTIAL, IT WOULD BE DIFFICULT FOR THIS FACT TO ESCAPE ATTENTION OF BANKING COMMUNITY. THIS BANKER SPECULATED THAT FRENCH OR OTHERS

MIGHT BE ACTING ON BOC'S BEHALF IN SHORT-TERM MARKET.

3. ANOTHER SOURCE MENTIONED A RUMOR THAT AMERICAN BANK SUBSIDIARIES ABROAD HAVE BEEN ASKED TO PARTICIPATE WITH FRENCH BANKS IN MAKING LONG-TERM DEPOSITS IN PEOPLE'S BANK OF CHINA, PEKING. IT HAS NOT BEEN POSSIBLE CONFIRM THIS.

4. FINALLY, ANOTHER AMERICAN BANKER, WITH GOOD BRITISH CONTACTS AND WHO HAS FOLLOWED PRC BANKING AFFAIRS CLOSELY, SAYS THAT PRC CONTINUALLY DRAWS ON INTERBANK LOANS FROM SEVERAL BRITISH BANKS. HE UNDERSTANDS THAT INTERBANK LOANS FROM EACH BRITISH BANK ARE REGULARLY IN "MIDDLE EIGHT FIGURES" (I.E., ABOUT DOLS. 50 MILLION). TOTAL DRAWDOWNS AT ANY ONE TIME HAVE BEEN IN THE DOLS. 300 MILLION RANGE FOR BRITISH BANKS ALONE. HE BELIEVES SIMILAR SUMS RAISED FROM CONTINENTAL BANKS,

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PARTICULARLY IN GERMANY AND FRANCE.

5. DEPARTMENT WOULD BE INTERESTED COMMENTS OF ADDRESSEE POSTS ON THESE REPORTS.
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